

OFFICE OF AUDITS & ADVISORY SERVICES



FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – SHERIFF’S DEPARTMENT

FINAL AUDIT REPORT

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COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

March 26, 2010

TO: William D. Gore
Sheriff

FROM: James L. Pelletier
Chief of Audits

FINAL REPORT: FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – SHERIFF'S DEPARTMENT

Enclosed is our report on the Firestorm 2007 Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Sheriff's Department. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken, in general, are responsive to the recommendations in the report.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER
Chief of Audits

AUD:FDL:aps

Enclosure

- c: Raymond A. Fernandez, Deputy Chief Administrative Officer, Public Safety Group
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Dorothy Y. Thrush, Group Finance Director, Public Safety Group

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INTRODUCTION

Audit Objective

The objective of the audit was to ensure that the department has gathered, organized, titled, and referenced documentation supporting cost claims on Federal Emergency Management Agency (FEMA) Project Worksheets (PWs) and State Damage Survey Reports (DSRs), and that all the supporting documentation will be maintained in a manner that the Office of Inspector General (OIG) and other reviewers can easily follow.

Background

Starting on October 21, 2007, seven wildfires burned through the County of San Diego. These fires resulted in over 369,000 acres burned, or 13% of the County's total land mass. Extensive damage was caused to 1,751 homes, 800 outbuildings, 253 structures, 239 vehicles, and two commercial properties.

As declared by the FEMA, Firestorm 2007's official incident period began October 21, 2007. It was officially closed as of March 31, 2008.

Beginning on October 21, 2007, various departments in San Diego County mobilized employees to assist in multiple disaster-related activities. County departments worked to procure and disseminate materials and to provide disaster assistance to County citizens with personal, property, and/or livestock issues, as well as to provide fire-fighting efforts and other services toward the safety and well-being of displaced and affiliated County residents.

The Director, Office of Emergency Services (OES), has been leading the overall County operational efforts while the Group Finance Director, Public Safety Group, has led the Finance team.

The Chief Financial Officer (CFO) requested that the Office of Audits & Advisory Services (OAAS) conduct an audit of the Sheriff's Department Firestorm 2007 related expenditure amounts claimed for reimbursement to:

- 1) Prevent any material disallowance by the OIG of amounts claimed; and
- 2) Provide reasonable assurance to the CFO and County management that the claims and reimbursements are adequately supported.

Audit Scope & Limitations

The Sheriff's Department submitted nine claims amounting to \$4,659,279 of costs incurred for equipment usage, labor, mutual aid, Quality First, supplies, and services resulting from the October 2007 wildfires. The FEMA/California Emergency Management Agency (CalEMA) project officer assigned ALL 159, DSR 1836, SHF 67, SHF 68, SHF 70, SHF 72, SHF 73, SHF 74, and SHF 75B as claim tracking numbers.

The information reviewed and submitted for reimbursement was based on expenditures as reported by the Sheriff's Department. FEMA/CalEMA project officers assigned to the Sheriff's Department made the final eligibility determination. OAAS did not make eligibility determinations of the expenditures submitted to FEMA/CalEMA for reimbursement.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

Methodology

OAAS reviewed the supporting documentation for Sheriff's Department costs submitted to FEMA or State for reimbursement by:

- Verifying that all supporting documentation was organized, titled, and cross-referenced with the line items listed on each PW or DSR;
- Reviewing the Damage Description and Scope of Work (SOW) to verify the types of expenses incurred in the PW or DSR;
- Comparing the amount reported on the PW or DSR to the amounts provided in supporting documentation to ensure the total amounts reconciled and that required documentation was provided;
- Recalculating the total amount claimed to ensure that the amount calculated from the supporting documentation agreed with the total amount listed on the PW or DSR;
- Reviewing payroll records to ensure the overtime hours incurred and rates applied were reconciled with those claimed on the PW or DSR, and to determine if overtime and related benefits were correctly calculated and properly supported; and
- Verifying material, mileage, equipment, contract and rental expenses incurred are adequately supported by complete and accurate documentation.

AUDIT RESULTS

Summary

OAAS' review of supporting documentation found that Firestorm 2007 expenditures of \$4,031,005 were properly substantiated. The Sheriff's Department submitted documentation amounting to \$4,685,404 to support \$4,659,279 of costs originally claimed. However, OAAS could only clear the amounts authorized by FEMA/CalEMA representatives as reflected on the authorized claims on file, as outlined in Table 1. OAAS did not clear \$628,274 for reasons outlined in the findings.

Table 1: Firestorm 2007 Sheriff's Department Claims

Claim	Amount Claimed	Amount Cleared	Not Cleared	Finding
ALL 159	\$279,958	\$257,241	\$22,717	I
DSR 1836	\$7,231	\$6,889	\$342	I
SHF 67	\$2,903,154	\$2,738,904	\$164,250	I
SHF 68	\$245,999	\$151,363	\$94,636	I
SHF 70	\$74,674	-	\$74,674	II, IV
SHF 72	\$123,724	-	\$123,724	II, IV
SHF 73	\$97,099	-	\$97,099	IV
SHF 74	\$898,083	\$857,514	\$40,569	III
SHF 75B	\$29,357	\$19,094	\$10,263	II
Total	\$4,659,279	\$4,031,005	\$628,274	

Finding I:**Estimated Fringe Benefit Costs are Claimed**

Project Worksheets ALL 159, DSR 1836, SHF 67, and SHF 68 claimed estimated fringe benefit costs which were not adjusted to reflect actual fringe costs incurred by the Sheriff's Department. A flat fringe benefit rate was applied to labor costs in the claim; however, the components of this rate were not disclosed in supporting documentation as required by FEMA. Only fringe benefits that are actually incurred and paid are eligible for reimbursement. Additionally, FEMA requires that fringe costs claimed be disclosed by its components (e.g., Social Security and Medicare). Therefore, audit work could only verify that direct labor costs of \$3,154,397 were properly substantiated, as outlined in Table 2.

Table 2: Firestorm 2007 Sheriff's Department Labor Claims

Claim	Amount Claimed	Direct Labor Cleared	Fringe Not Cleared
ALL 159	\$279,958	\$257,241	\$22,717
DSR 1836	\$7,231	\$6,889	\$342
SHF 67	\$2,903,154	\$2,738,904	\$164,250
SHF 68	\$245,999	\$151,363	\$94,636
Total	\$3,436,342	\$3,154,397	\$281,945

Recommendation:

The Sheriff's Department should consider adjusting all labor claims to reflect fringe benefit costs that were actually paid. Fringe costs claimed must be disclosed by its components as incurred by employee. The Sheriff's Department should also consider producing a narrative explaining the methodology used to obtain final labor costs claimed in order to assist future reviewers.

Finding II:**Claimed Equipment Usage Not Valued Properly**

Project Worksheets SHF 70, SHF 72, and SHF 75B claim equipment usage costs of \$227,755 which were not valued correctly, resulting in substantiated expenditures of \$19,094, as outlined in Table 3.

Table 3: Firestorm 2007 Sheriff's Department Claims

Claim	Amount Claimed	Amount Cleared	Not Cleared
SHF 70	\$74,674	-	\$74,674
SHF 72	\$123,724	-	\$123,724
SHF 75B	\$29,357	\$19,094	\$10,263
Total	\$227,755	\$19,094	\$208,661

The amount not cleared (\$208,661) is attributable to the following:

- SHF 70: Three County buses incurred 421 miles evacuating citizens to shelters during Firestorm 2007. Usage time claimed of nine hours was derived as an estimate based on these 421 miles. However, FEMA guidance requires that claimed bus usage be based on actual documented hourly usage, such as activity recorded in an equipment log.
- SHF 72: Helicopter rates claimed were not calculated as required by FEMA. A disaster year monthly average was used to infer a three-year operational average. FEMA requires that the three-year operational average be calculated from actual usage from the past three non-disaster years. If this information is not available, FEMA outlines that a standard three-year average of 400 hours may be used.

Additionally, documentation showed that fuel truck hourly usage claimed was estimated from both mileage and estimated refueling hours. However, FEMA guidance requires that claimed hourly usage be based on actual documented usage.

- SHF 75B: Review of generator usage data and generator rates found that incorrect cost rates were applied to generator usage claimed. The claim was also overstated due to errors made when calculating usage time per generator. Audit work found that \$19,094 claimed was properly substantiated.

The FEMA Public Assistance Guide outlines that ownership and operating costs for force account equipment used to perform eligible work is eligible for reimbursement. Costs for use of automobiles and pick-up trucks may be reimbursed on the basis of mileage if less costly than hourly rates. For all other types of equipment, such as generators and buses, costs are reimbursed using an hourly rate as outlined in the FEMA Equipment Schedule.

Recommendation:

Actual documented equipment usage and FEMA approved rates should be the basis for FEMA costs claimed for equipment usage, as outlined in the FEMA Public Assistance Guide. Supporting documentation for PWs SHF 70, SHF 72, and SHF 75B should be adjusted to reflect the actual costs incurred, in the format required by FEMA guidance:

- SHF 70: Because FEMA reimburses bus usage based on hourly rates, documented hourly usage of County buses should be claimed instead of mileage.
- SHF 72: The claim should be adjusted by calculating helicopter rates and costs as outlined by FEMA Policy: *Appendix to FEMA Schedule of Equipment Rates: Aircraft Rates*. Also, fuel truck usage should be claimed based on documented hourly usage and not mileage.

- **SHF 75B:** Errors identified in generator usage time claimed should be corrected to reflect actual hourly usage, as documented in equipment logs. The claim should be adjusted by applying correct cost rates to generator usage claimed.

Finding III:

Claimed Mutual Aid Provider Costs are Not Fully Supported

Mutual aid expenditures of \$40,569, claimed through the County by mutual aid providers, were not adequately and/or fully supported, as outlined in Table 4. Additionally, supporting documentation included Oceanside Police Department and San Diego Police Department claimed mutual aid costs to the County of \$7,915 and \$26,280, respectively. However, these costs were not included in the authorized PW on file and, as a result, are not eligible for reimbursement.

Table 4: Mutual Aid Providers with Costs not Fully Supported

Mutual Aid Provider	Amount Claimed	Amount Cleared	Not Cleared	Note
City of Carlsbad	\$16,499	\$14,170	\$2,329	Labor costs not adequately supported
City of Chula Vista	\$59,177	\$59,177	-	
City of Coronado	\$54,699	\$54,371	\$328	Labor costs not supported
City of El Cajon	\$100,014	\$87,518	\$12,496	\$11,697 of equipment costs not adequately supported \$799 of overtime costs not supported
City of Escondido	\$1,972	\$1,972	-	
City of La Mesa	\$58,398	\$49,972	\$8,426	\$4,563 of equipment costs not adequately supported \$3,863 of equipment costs not supported
Mira Costa College	\$3,360	-	\$3,360	Labor costs not adequately supported
National City	\$35,714	\$31,254	\$4,460	\$4,449 of equipment costs not adequately supported \$11 of materials costs not supported
Riverside County	\$331,505	\$325,496	\$6,009	Equipment (\$2,323), labor (\$2,742), and material (\$944) costs not supported
San Diego Harbor Police	\$183,879	\$183,061	\$818	Labor costs not supported
SDSU Police	\$21,854	\$20,008	\$1,846	Equipment costs not supported
UCSD Police	\$31,012	\$30,515	\$497	Labor costs not supported
Total	\$898,083	\$857,514	\$40,569	

The FEMA Public Assistance Guide and FEMA Disaster Assistance Policy 9523.6 both outline that adequate documentation should be obtained from Mutual Aid Providers to ensure that claimed costs are reasonable. Additionally, entities must have their mutual aid costs claimed in an authorized PW in order to be eligible for reimbursement.

Recommendation: Adequate documentation should be obtained from mutual aid providers in order to comply with FEMA disclosure requirements. This includes obtaining adequate documentation to fully support claims in order to verify that expenditures are reasonable. Documentation obtained should be prepared in accordance with the Firestorm 2007 Checklist. Additionally, Mutual Aid Provider claims should be adjusted, during the closeout process, to reflect actual costs supported with expenditure documentation. Finally, an amendment should be pursued to adjust PW SHF 74 to include mutual aid costs from the Oceanside and San Diego Police Departments.

Finding IV:

Supporting Documentation Not Ready For Review

Review of SHF 70, SHF 72, and SHF 73 found that the documentation of these claims was not organized, titled, and cross referenced in a manner that the OIG and other reviewers could readily follow:

- SHF 70: Supporting documentation was not organized as required by the Firestorm 2007 Checklist. Specifically, individual mileage forms were not organized as observed during initial review.
- SHF 72: A review of helicopter usage found that helicopter hours claimed do not fully reconcile to equipment Daily Patrol Logs in the related support binder. Furthermore, the Time columns in the logs were not individually subtotaled and cross footed.
- SHF 73: Only invoice copies were on file in the FEMA support binder, original documentation was not readily available. Therefore, this PW cannot be cleared until original documentation is readily available for review. However, testing was continued with the invoice copies on file.

Testing found that out of \$97,099 of claimed expenditures, only \$77,798 was supported adequately with appropriate documentation. The amount not fully supported of \$19,301 is attributable to the following:

- Petty cash which was not recommended for reimbursement by FEMA (\$4,820);
- Missing receipts and/or invoices (\$759); and
- Credit card expenses supported with manual receipts (\$13,722).

Recommendation: Prepare SHF 70, SHF 72, and SHF 73 in accordance with the Firestorm 2007 Checklist. This would include gathering, organizing, titling, and cross referencing supporting documentation for easier review. Additionally, original supporting documentation must be readily available before claimed costs can be evaluated for existence and adequacy.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Sheriff's Department throughout this audit.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

DEPARTMENT'S RESPONSE

**COUNTY OF SAN DIEGO****INTER-DEPARTMENTAL CORRESPONDENCE****RECEIVED**

March 17, 2010

MAR 22 2010**OFFICE OF AUDITS &
ADVISORY SERVICES**

TO: James L. Pelletier, Chief of Audits O305
Auditor & Controller

FROM: William D. Gore, Sheriff O41
Sheriff's Department

Department response to audit recommendations: Firestorm 2007 expenditures submitted for FEMA/CALEMA reimbursement validation audit – Sheriff's Department

Finding I: Estimated Fringe Benefit Costs are Claimed

OAAS Recommendation: The Sheriff's Department should consider adjusting all labor claims to reflect fringe benefit costs that were actually paid. Fringe costs claimed must be disclosed by its components as incurred by employee. The Sheriff's Department should also consider producing a narrative explaining the methodology used to obtain final labor costs claimed in order to assist future reviewers.

Action Plan: The Project Worksheets (PW) for the fires were first completed in January 2008, barely three months after the disaster. The department used estimated costs for the initial PWs, as it did in 2003, while it was gathering appropriate documentation of costs. Due to limitations in the available labor cost reports from the payroll and time collection systems, the actual benefit rates associated only with labor hours worked for the fires could not be separated from other fringe benefit costs paid. Instead, a methodology had to be developed to document only fire related fringe benefit costs. Initially this was done by adding the component benefit rates together rather than listing individual benefit rates. This has now been corrected and the PWs modified. A detailed narrative methodology has been added to the supporting documentation for each labor-related PW.

Planned Implementation Date: Corrective action has already taken place. The updated calculation and additional information has been added to the department's files, for future reviewers' perusal and review by FEMA auditors.

Contact Information for Implementation: Jill Serrano, Chief Financial Officer

Finding II: Claimed Equipment Usage Not Valued Properly

OAAS Recommendation: Actual documented equipment usage and FEMA approved rates should be the basis for FEMA costs claimed for equipment usage, as outlined in the FEMA Public Assistance Guide. Supporting documentation for PWs SHF 70, 72, and 75B should be adjusted to reflect the actual costs incurred, in the format required by FEMA guidance.

- SHF 70: Because FEMA reimburses bus usage based on hourly rates, documented hourly usage of County buses should be claimed instead of mileage.
- SHF 72: The claim should be adjusted by calculating helicopter rates and costs as outlined by *FEMA Policy: Appendix to FEMA Schedule of Equipment Rates: Aircraft Rates*. Also, fuel truck usage should be claimed based on documented hourly usage and not mileage.
- SHF 75B: Errors identified in generator usage time claimed should be corrected to reflect actual hourly usage, as documented in equipment logs. The claim should be adjusted by applying correct cost rates to generator usage claimed.

Action Plan: Documentation of claimed costs for PWs SHF 70, 72 and 75B have all been revised to reflect equipment rates based on FEMA guidelines.

- SHF 70: Claim for the usage of County buses has been amended to be based on actual hours used instead of mileage.
- SHF 72: Calculation of helicopter rates and costs has been corrected. It was the department's understanding that a three year average of costs needed to be used in order to calculate a department specific rate that differed from the standard FEMA rate. At the time of the 2007 fires, the department did not have three years of historical flight data of non-disaster years. The department chose instead to use the standard of 400 hrs/year, per the *FEMA Policy: Appendix to FEMA Schedule of Equipment Rates: Aircraft Rates*.

The department's only documentation for the use of fuel trucks during the 2007 fires are mileage forms. Since OAAS recommends any fuel truck usage claimed be based on documented hourly usage and not mileage, the costs for fuel truck usage will be deleted from the department's claim.

- SHF 75B: Claim has been adjusted, applying the correct costs rates based on the output rates of the generators used. Times of generator usage have also been verified.

Planned Implementation Date: Corrective action has already taken place. The updated calculation and additional information has been added to the department's files, for future reviewers' perusal and review by FEMA auditors.

Contact Information for Implementation: Jill Serrano, Chief Financial Officer

Finding III: Claimed Mutual Aid Provider Costs Are Not Fully Supported

OAAS Recommendation: Adequate documentation should be obtained from mutual aid providers in order to comply with FEMA disclosure requirements. This includes obtaining adequate documentation to fully support claims in order to verify that expenditures are reasonable. Documentation obtained should be prepared in accordance with the Firestorm 2007 Checklist. Additionally, Mutual Aid Provider claims should be adjusted, during the closeout process, to reflect actual costs supported with expenditure documentation. Finally, an amendment should be pursued to adjust PW SHF 74 to include mutual aid costs from the Oceanside and San Diego Police Departments.

Action Plan: It should be noted that the Sheriff's Department was required to file claims on behalf of Mutual Aid responders for reimbursement of their costs through FEMA. It is the position of the Sheriff's Department that sufficient documentation has been requested of, and submitted by, each of the Mutual Aid Providers. The Sheriff's Department has had a number of meetings, trainings and discussions with law enforcement agencies that provided mutual aid resources for evacuations and first response during the fires in an attempt to gather documentation to support the claims submitted by these agencies. The department does not believe it is in a position to determine what level of documentation is available from other local government agencies payroll/time collection systems nor should it be held responsible to defend the cost submitted for reimbursement by another agency. In the absence of supporting documentation that meets FEMA's regulations, rational claims that can be considered realistic have been allowed, provided there is some form of documentation submitted from which a logical deduction can be inferred. Prior to the audit process, the department submitted a request to the Group Finance Director of Public Safety Group to process the adjustment of PW SHF 74 to include mutual aid costs from the Oceanside and San Diego Police Departments.

Planned Implementation Date: Corrective action as deemed necessary by the department has already taken place.

Contact Information for Implementation: Jill Serrano, Chief Financial Officer

Finding IV: Supporting Documentation Not Ready For Review

OAAS Recommendation: Prepare SHF 70, SHF 72 and SHF 73 in accordance with the Firestorm 2007 Checklist. This would include gathering, organizing, titling and cross referencing supporting documentation for easier review. Additionally, original supporting documentation must be readily available before claimed costs can be evaluated for existence and accuracy.

Action Plan: All available supporting documentation for SHF 70, SHF 72 and SHF 73 have been gathered, organized, titled and cross referenced as recommended. T-cards, which are used during the fires to document the usage of the department's vehicles based on mileage, supporting SHF 70 have been systematized in the same manner the supporting spreadsheet is presented, for ease of review. Daily Patrol Logs for each segment of flight hours related to helicopter usage claimed have been added to the documentation for SHF 72. All available original receipts related to the Services & Supplies expenses claimed in SHF 73 were requested from department staff and have been added to the records.

Planned Implementation Date: Corrective action has already taken place. The updated calculation and additional information has been added to the department's files, for future reviewers' perusal and review by FEMA auditors.

Contact Information for Implementation: Jill Serrano, Chief Financial Officer

If you have any questions, please contact Jill Serrano, Chief Financial Officer at (858) 974-2377.



William D. Gore, Sheriff

WDG:fp
Enclosure

cc: Thomas J. Cooke, Undersheriff
John C. Gaines, Executive Director
Robert Ahern, Assistant Sheriff
Jill Serrano, Chief Financial Officer